

2011 -- S 0510

LC01254

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

RELATING TO INSURANCE -- PRODUCER LICENSING ACT -- LIFE AND HEALTH
REINSURANCE AGREEMENTS -- COMMERCIAL SPECIAL RISKS

Introduced By: Senators Lanzi, and Bates

Date Introduced: March 10, 2011

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 27-2.4-8 of the General Laws in Chapter 27-2.4 entitled "Producer
2 Licensing Act" is hereby amended to read as follows:

3 **27-2.4-8. Application for license.** -- (a) A person applying for a resident insurance
4 producer license shall make application to the insurance commissioner on the uniform application
5 and declare under penalty of refusal, suspension or revocation of the license that the statements
6 made in the application are true, correct and complete to the best of the individual's knowledge
7 and belief. Before approving the application, the insurance commissioner shall find that the
8 individual:

9 (1) Is at least eighteen (18) years of age;

10 (2) Has not committed any act that is a ground for denial, suspension or revocation set
11 forth in section 27-2.4-14;

12 ~~(3) Has completed a prelicensing course of study for the lines of authority for which the~~
13 ~~person has applied unless exempted in writing, for good cause, from the requirement by the~~
14 ~~department;~~

15 ~~(4)~~ (3) Has paid the fees set forth in section 27-2.4-4; and

16 ~~(5)~~ (4) Has successfully passed the examinations for the lines of authority for which the
17 person has applied.

18 (b) A Rhode Island resident business entity acting as an insurance producer may elect to

1 obtain an insurance producer license. Application shall be made using the uniform business entity
2 application. Prior to approving the application, the commissioner shall find both of the following:

3 (1) The business entity has paid the appropriate fees.

4 (2) The business entity has designated a licensed producer responsible for the business
5 entity's compliance with the insurance laws and rules of this state.

6 (c) The insurance commissioner may require any documents reasonably necessary to
7 verify the information contained in an application.

8 (d) Each insurer that sells, solicits or negotiates any form of limited line credit insurance
9 shall provide to each individual whose duties will include selling, soliciting or negotiating limited
10 line credit insurance a program of instruction that may be approved by the insurance
11 commissioner.

12 SECTION 2. Section 27-5-2 of the General Laws in Chapter 27-5 entitled "Fire Insurance
13 Policies and Reserves" is hereby amended to read as follows:

14 ~~**27-5-2. Compliance with standard policy required -- Exception -- Policies written at**~~
15 ~~**home office. Compliance with standard policy required.**~~ – Except as provided in section 27-5-
16 9.1 and subsection 27-65-1(e), no policy or contract of fire insurance shall be made, issued, or
17 delivered by any insurer or by any insurance producer or representative of an insurance producer
18 on any property in this state, unless it shall conform, as to all provisions, stipulations, agreements,
19 and conditions, with the standard form of policy. ~~The requirement that policies shall be~~
20 ~~countersigned by an insurance producer shall not apply to companies of this state whose policies~~
21 ~~are written at their home offices and which do not operate on the agency plan.~~

22 SECTION 3. Section 27-65-1 of the General Laws in Chapter 27-65 entitled
23 "Commercial Special Risks" is hereby amended to read as follows:

24 ~~**27-65-1. Commercial special risks.**~~ -- (a) Commercial special risks. - Notwithstanding
25 any other provisions of this title to the contrary and except as limited in subsection (b) of this
26 section, insurers shall not be required to file with, nor to receive approval from, the insurance
27 division of the department of business regulation for policy forms or rates used in the insurance of
28 commercial special risks located in this state. Commercial special risks are defined as:

29 (1) Risks written as commercial lines insurance, ~~as defined in section 27-34-5(5)~~ as
30 insurance issued for purposes other than for personal, family or household, and which are written
31 on an excess or umbrella basis;

32 (2) Those risks, or portions of them, written as commercial lines insurance, ~~as defined in~~
33 ~~section 27-34-5(5)~~ as insurance issued for purposes other than for personal, family or household,
34 and which are not rated according to manuals, rating plans, or schedules including "A" rates;

1 (3) Risks written as commercial lines insurance that employ or retain the services of a
2 "risk manager" and which also meet any one of the following criteria:

3 (i) Net worth over ten million dollars (\$10,000,000);
4 (ii) Net revenue/sales of over five million dollars (\$5,000,000);
5 (iii) More than twenty-five (25) employees per individual company or fifty (50)
6 employees per holding company in the aggregate;

7 (iv) Aggregates premiums of over thirty thousand dollars (\$30,000) excluding group life,
8 group health, workers' compensation and professional liability (including but not limited to errors
9 and omissions and directors and officers liability);

10 (v) Is a not for profit, or public entity with an annual budget or assets of at least twenty-
11 five million dollars (\$25,000,000); or

12 (vi) Is a municipality with a population of over twenty thousand (20,000);

13 (4) Specifically designated commercial special risks including:

14 (i) All risks classified as highly protected risks.

15 "Highly protected risk" means a fire resistive building that meets the highest standards of
16 fire safety according to insurance company underwriting requirements;

17 (ii) All commercial insurance aviation risks;

18 (iii) All credit property insurance risks which are defined as "insurance of personal
19 property of a commercial debtor against loss, with the creditor as sole beneficiary" or "insurance
20 of personal property of a commercial debtor, with the creditor as primary beneficiary and the
21 debtor as beneficiary of proceeds not paid to the creditor". For the purposes of this definition,
22 "personal property" means furniture, fixtures, furnishings, appliances and equipment designed for
23 use in a business trade or profession and not used by a debtor for personal or household use;

24 (iv) All boiler and machinery risks;

25 (v) All inland marine risks written as commercial lines insurance ~~as defined in section~~
26 ~~27-34-5(5)~~ as insurance issued for purposes other than for personal, family or household; and

27 (vi) All fidelity and surety risks; and

28 (vii) All crime and burglary and theft risks.

29 (b) Notwithstanding subsection (a) of this section, the following lines of business shall
30 remain subject to all filing and approval requirements contained in this title even if written for
31 risks which qualify as commercial special risks:

32 (1) Life insurance;
33 (2) Annuities;
34 (3) Accident and health insurance;

- 1 (4) Automobile insurance which is mandated by statute;
- 2 (5) Workers' compensation and employers' liability insurance; and
- 3 (6) Issuance through residual market mechanisms.

4 (c) Any insurer which provides coverage to a commercial special risk shall disclose to
5 the insured that forms used and rates charges are exempt from filing and approval requirements
6 by this subsection. Records of all such disclosures shall be maintained by the insurer.

7 (d) Brokers for exempt commercial policyholders as defined in subdivision (a)(3) of this
8 section shall be exempt from the due diligence requirements of section 27-3-38(b).

9 (e) Notwithstanding any other provisions of this title, the requirements of section 27-5-2
10 shall not apply to any policy insuring one or more commercial special risks located in this state.

11 SECTION 4. Chapter 27-4.2 of the General Laws entitled "Life and Health Reinsurance
12 Agreements Act" is hereby amended by adding thereto the following section:

13 **27-4.2-7. Existing agreements.** – Insurers subject to this act shall reduce to zero by
14 December 31, 1997 any reserve credits or assets established with respect to reinsurance
15 agreements entered into prior to the effective date of this act which, under the provisions of this
16 act would not be entitled to recognition of the reserve credits or assets; provided, however, that
17 the reinsurance agreements shall have been in compliance with laws or regulations in existence
18 immediately preceding the effective date of this act.

19 SECTION 5. This act shall take effect upon passage with the exception of Section 1,
20 which shall take effect on January 1, 2012.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO INSURANCE -- PRODUCER LICENSING ACT -- LIFE AND HEALTH
REINSURANCE AGREEMENTS – COMMERCIAL SPECIAL RISKS

1 This act would eliminate mandatory prelicensing before a resident may obtain an
2 insurance producer license, remove a requirement for countersignatures of insurance producers,
3 restore a provision of the Life and Health Reinsurance Act and would expand the commercial
4 special risks statute to include crime and burglary and theft risk.

5 This act would take effect upon passage with the exception of Section 1, which would
6 take effect on January 1, 2012.

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